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C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 002090

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LONDON AND PARIS FOR AFRICA WATCHERS

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SUBJECT: STRIKE SUSPENDED: LABOR AND OIL COMPANY VIEWS

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Classified By: POL/ECON:FDay for reasons 1.5 (b) and (d)

11. (U) Nigeria Labour Congress (NLC) President Adams Oshiomhole announced October 8 at approximately 2300 that labor had suspended its planned October 9 strike after the NLC, governors, National Assembly legislators, and oil marketers reached an agreement. A hastily organized group, known as the Stakeholders Committee on Petroleum, decided temporarily to sell fuel at the pre-October 1 price of 34 naira per liter while they deliberate a long-term strategy to deregulate the downstream sector. The governors said they would monitor gas stations in their respective states to ensure prices remain at 34 naira until the committee reaches an agreement on deregulation. John Odah, NLC General Secretary, told LabOff this morning that an All Stakeholders

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Summit will be held sometime this month to address supply, distribution and pricing of petroleum products.

12. (SBU) According to the VP of a major downstream company who was at the meeting in Abuja the night of October 8, however, the labor version (above) is incomplete. Diesel and kerosene, he said, are deregulated effective immediately. The NNPC and private marketers will keep gasoline in the pipeline; some belated third quarter deliveries are expected to straggle in during the coming weeks, and marketers will likely begin to import shortly after the next stakeholders' meeting next Thursday, October 16. Gasoline at the pump will stay at 34 naira while NNPC stocks last (this is of course somewhat of a fiction, as prices outside a few big cities have always been higher). NNPC contracts for Q4 delivery and forward months will begin contracting sharply while that of the commercial firms will expand correspondingly. When the first private marketers' deliveries reach Apapa Port in Lagos (probably in late October), the pump price at all petrol stations is to correspond to market costs.

13. (C) Two oil company executives who attended the meeting do not expect the Stakeholders' Committee to have any significant impact; for one thing, it is too unwieldy. All 36 governors are on it, and they all need to speak. Next Thursday's meeting will be little more than a "photo op", we are told, and the executives believe the national senators assigned to the committee will stop attending meetings thereafter. The committee's primary purpose is to provide cover for a face-saving arrangement for the unions, and that has already been accomplished.

The President Strikes Back

14. (U) President Obasanjo addressed the nation two hours before the agreement was reached to argue strongly for the benefits of deregulation for the Nigerian consumer and economy and to launch a vicious attack on the NLC. Failure to deregulate, he said, is costing everyone time and money, and it is unwise to invest more money in the rehabilitation of the refineries at Kaduna and Port Harcourt before they are privatized. 18 firms presently hold licenses to build refineries, he said, but none will take the risk of entering the industry due to the price controls that have hampered the downstream sector. He said fuel marketers have been assured that the downstream infrastructure (e.g. at Apapa port in Lagos) will be improved to remove bottlenecks so Nigeria can get as much fuel as it needs. The NLC knows well the benefits of deregulation, Obasanjo went on to say, and has endorsed the concept. The President then launched into an extended, scathing attack on the NLC. He claimed that it has become an opposition movement instead of a labor organization; contrary to the legislation establishing it the NLC wants to attain power through non-democratic means, and it is trying to become a parallel government. Obasanjo also

accused the NLC of providing cash to hoodlums, threatening the police and unions such as the air traffic controllers who do not want to strike, and is acting out of "unpatriotic and sinister motives." Obasanjo called the planned strike "illegal" as 15 days prior notice had not been given (note: we are unfamiliar with such a requirement). He referred repeatedly to the 8th All Africa Games underway in Abuja, saying Nigerians should not shame themselves as hosts in front of their brother Africans. He closed his extraordinary attack with a warning against any attempts to obstruct traffic or force the closure of shops or banks. He then appealed for calm, adding "this is an appeal, but also a warning."

15. (C) Comment: This agreement averts the immediate threat of a nationwide strike, and gives all sides a win. For the first time, the unions, the oil companies and the government are all publicly in agreement in favor of deregulation of petroleum products. Labor and civil society are still fuming over Obasanjo's autocratic handling of the issue, but their leaders are happy to have won a seat at the table. They will, in other words, give Obasanjo what he wanted (and what many of them wanted also), but will appear on television while doing so. It is interesting to speculate on the role Obasanjo's attack on the NLC played in obtaining this agreement. Union leaders speaking to outsiders dismiss the impact of his statement, but it was a naked threat. Large sections of his address can only be understood as the text of an implicit threat that he could ban the NLC; he laid out an entire justification for doing so.

HINSON-JONES